



General Assembly

**Substitute Bill No. 399**

February Session, 2016



**AN ACT CONCERNING RESEARCH AND DEVELOPMENT TAX CREDITS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-217zz of the 2016 supplement to the general  
2 statutes is repealed and the following is substituted in lieu thereof  
3 (*Effective July 1, 2016, and applicable to income years commencing on or after*  
4 *January 1, 2016*):

5 (a) Notwithstanding any other provision of law, and except as  
6 otherwise provided in subsection (b) of this section, the amount of tax  
7 credit or credits otherwise allowable against the tax imposed under  
8 this chapter shall be as follows:

9 (1) For any income year commencing on or after January 1, 2002,  
10 and prior to January 1, 2015, the amount of tax credit or credits  
11 otherwise allowable shall not exceed seventy per cent of the amount of  
12 tax due from such taxpayer under this chapter with respect to any such  
13 income year of the taxpayer prior to the application of such credit or  
14 credits;

15 (2) For any income year commencing on or after January 1, 2015, the  
16 amount of tax credit or credits otherwise allowable shall not exceed  
17 fifty and one one-hundredths per cent of the amount of tax due from  
18 such taxpayer under this chapter with respect to any such income year

19 of the taxpayer prior to the application of such credit or credits;

20 (3) Notwithstanding the provisions of subdivision (2) of this  
21 subsection, any taxpayer that possesses excess credits may utilize the  
22 excess credits as follows:

23 (A) For income years commencing on or after January 1, 2016, and  
24 prior to January 1, 2017, the aggregate amount of tax credits and excess  
25 credits allowable shall not exceed fifty-five per cent of the amount of  
26 tax due from such taxpayer under this chapter with respect to any such  
27 income year of the taxpayer prior to the application of such credit or  
28 credits;

29 (B) For income years commencing on or after January 1, 2017, and  
30 prior to January 1, 2018, the aggregate amount of tax credits and excess  
31 credits allowable shall not exceed sixty per cent of the amount of tax  
32 due from such taxpayer under this chapter with respect to any such  
33 income year of the taxpayer prior to the application of such credit or  
34 credits;

35 (C) For income years commencing on or after January 1, 2018, and  
36 prior to January 1, 2019, the aggregate amount of tax credits and excess  
37 credits allowable shall not exceed sixty-five per cent of the amount of  
38 tax due from such taxpayer under this chapter with respect to any such  
39 income year of the taxpayer prior to the application of such credit or  
40 credits;

41 (D) For income years commencing on or after January 1, 2019, the  
42 aggregate amount of tax credits and excess credits allowable shall not  
43 exceed seventy per cent of the amount of tax due from such taxpayer  
44 under this chapter with respect to any such income year of the  
45 taxpayer prior to the application of such credit or credits;

46 (4) Notwithstanding the provisions of subdivisions (2) and (3) of  
47 this subsection, for income years commencing on or after January 1,  
48 2016, the amount of tax credit or credits otherwise allowable against  
49 the tax imposed under this chapter for such income year may exceed

50 the amount specified in said subdivisions to the extent the amount of  
51 credits otherwise allowable under sections 12-217j and 12-217n exceed  
52 the amount specified in said subdivisions, provided in no event may  
53 the amount of tax credit or credits otherwise allowable against the tax  
54 imposed under this chapter for such income year exceed seventy per  
55 cent of the amount of tax due from such taxpayer under this chapter  
56 with respect to such income year of the taxpayer prior to the  
57 application of such credit or credits;

58 [(4)] (5) For purposes of this subsection, "excess credits" means any  
59 remaining credits available under section 12-217j, 12-217n or 32-9t after  
60 tax credits are utilized in accordance with subdivision (2) of this  
61 subsection.

62 (b) (1) For an income year commencing on or after January 1, 2011,  
63 and prior to January 1, 2013, the amount of tax credit or credits  
64 otherwise allowable against the tax imposed under this chapter for  
65 such income year may exceed the amount specified in subsection (a) of  
66 this section only by the amount computed under subparagraph (A) of  
67 subdivision (2) of this subsection, provided in no event may the  
68 amount of tax credit or credits otherwise allowable against the tax  
69 imposed under this chapter for such income year exceed one hundred  
70 per cent of the amount of tax due from such taxpayer under this  
71 chapter with respect to such income year of the taxpayer prior to the  
72 application of such credit or credits.

73 (2) (A) The taxpayer's average monthly net employee gain for an  
74 income year shall be multiplied by six thousand dollars.

75 (B) The taxpayer's average monthly net employee gain for an  
76 income year shall be computed as follows: For each month in the  
77 taxpayer's income year, the taxpayer shall subtract from the number of  
78 its employees in this state on the last day of such month the number of  
79 its employees in this state on the first day of its income year. The  
80 taxpayer shall total the differences for the twelve months in such  
81 income year, and such total, when divided by twelve, shall be the

82 taxpayer's average monthly net employee gain for the income year. For  
 83 purposes of this computation, only employees who are required to  
 84 work at least thirty-five hours per week and only employees who were  
 85 not employed in this state by a related person, as defined in section 12-  
 86 217ii, within the twelve months prior to the first day of the income  
 87 year may be taken into account in computing the number of  
 88 employees.

89 (C) If the taxpayer's average monthly net employee gain is zero or  
 90 less than zero, the taxpayer may not exceed the seventy per cent limit  
 91 imposed under subsection (a) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016, and applicable to income years commencing on or after January 1, 2016</i>	12-217zz

**CE**

*Joint Favorable Subst. C/R*

**FIN**